

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name		County
Fiscal Year End	Opinion Date		Date Audit Report Submitted to State	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).


YES  
NO

**Check each applicable box below.** (See instructions for further detail.)

1. ☐ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☐ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☐ ☐ The local unit has adopted a budget for all required funds.
5. ☐ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☐ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☐ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☐ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☐ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☐ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☐ The local unit is free of repeated comments from previous years.
12. ☐ ☐ The audit opinion is UNQUALIFIED.
13. ☐ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☐ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☐ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

<b>We have enclosed the following:</b>	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input type="checkbox"/>			
The letter of Comments and Recommendations	<input type="checkbox"/>			
Other (Describe)	<input type="checkbox"/>			
Certified Public Accountant (Firm Name)		Telephone Number		
Street Address		City	State	Zip
Authorizing CPA Signature 	Printed Name		License Number	

# **Hamlin-Pere Marquette Water and Sewer Authority**

**Mason County, Michigan**

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**FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT**

**Year Ended December 31, 2007**

# **Hamlin-Pere Marquette Water and Sewer Authority**

**Mason County, Michigan**

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**December 31, 2007**

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# DOUGLAS WOHLBERG

*Certified Public Accountant*

To the Authority Board  
Hamlin-Pere Marquette Water and Sewer Authority  
Mason County, Michigan

We have audited the accompanying financial statements of the governmental activities and the major fund of Hamlin-Pere Marquette Water and Sewer Authority as of and for the year ended December 31, 2007, which collectively comprise the Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Hamlin-Pere Marquette Water and Sewer Authority management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the Hamlin-Pere Marquette Water and Sewer Authority as of December 31, 2007, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.



Grand Rapids, Michigan  
April 10, 2008

# Hamlin-Pere Marquette Water and Sewer Authority

Mason County, Michigan

## Management Discussion and Analysis

For the year ended December 31, 2007

### Using this Annual Report

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the Authority as a whole and present a longer-term view of the Authority's finances. Fund financial statements tell how these services were financed in the short-term, as well as what remains for future spending. Fund financial statements also report the Authority's operations in more detail than the government-wide financial statements.

### The Authority as a Whole

The Authority's combined net assets increased 10% from a year ago, from \$1,403,462 to \$1,544,871. This results from reductions in long-term debt.

In a condensed format, the table below shows a comparison of the net assets as of the current date to the prior year:

	Governmental Activities	
	2007	2006
Current assets	\$ 4,335	\$ 4,410
Noncurrent assets	2,532,061	2,561,616
<b>Total assets</b>	<b>2,536,396</b>	<b>2,566,026</b>
Long-term debt outstanding	955,000	1,120,000
Other liabilities	36,525	42,564
<b>Total liabilities</b>	<b>991,525</b>	<b>1,162,564</b>
Net assets		
Reserved for debt service	4,335	4,410
Invested in capital assets - net of debt	1,577,061	1,441,616
Unrestricted	(36,525)	(42,564)
<b>Total net assets</b>	<b>1,544,871</b>	<b>1,403,462</b>
<b>Total liabilities and net assets</b>	<b>\$ 2,536,396</b>	<b>\$ 2,566,026</b>

Net assets reserved for debt service, the part of net assets that can be used to repay long-term debt, decreased by \$75 from \$4,410 to \$4,335. This is an decrease of approximately 2%. This is within the targeted range set by the Authority Board during its last budget process.

# Hamlin-Pere Marquette Water and Sewer Authority

Mason County, Michigan

## Management Discussion and Analysis

For the year ended December 31, 2007

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The following table shows the changes of the net assets as of December 31, 2007 and 2006:

	2007	2006
<u>General Revenue</u>		
Miscellaneous	\$ -	\$ 200
Transfers in	224,076	223,040
<u>Total General Revenue</u>	<u>224,076</u>	<u>223,240</u>
 <u>Program Expenses</u>		
Governmental	82,667	90,953
 Change in Net Assets	\$ 141,409	\$ 132,287

### Governmental Activities

Expenditures in 2007 decreased by \$8,286 from the prior year.

### The Authority's Funds

Our analysis of the Authority's major funds begins on page 10, following the entity wide financial statements. The Authority Board creates funds to help manage money for specific purposes as well as to show accountability for certain activities. The Authority's major fund for 2007 was the Debt Service Fund.

### Capital Asset and Debt Administration

At the end of 2007, the Authority had \$2,532,061, net of accumulated depreciation, invested in water and sewer mains.

### Economic Factors and Next Year's Budgets and Rates

The Authority's budget for 2008 remains little changed from its 2007 budget because the Authority expects only to repay long-term debt and make no additions to the Water and Sewer systems.

### Contacting the Authority's Management

This financial report is intended to provide our citizens, taxpayers, customers and investors with a general overview of the Authority's finances and to show the Authority's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the Authority's Treasurer at the Pere Marquette Township hall, 1699 S. Pere Marquette Highway, Ludington, Michigan, 49431. The Authority's phone number is (231) 845-1277.

## **GOVERNMENT WIDE FINANCIAL STATEMENTS**

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# Hamlin-Pere Marquette Water and Sewer Authority

Mason County, Michigan

## Statement of Net Assets

For the year ended December 31, 2007

	Governmental activities
<b>ASSETS</b>	
Cash and cash equivalents	\$ 4,335
Capital assets - net	2,532,061
<b>TOTAL ASSETS</b>	<b>\$ 2,536,396</b>
<b>LIABILITIES</b>	
Accrued and other liabilities	\$ 36,525
Non current liabilities	
Due within one year	150,000
Due in more than one year	805,000
<b>TOTAL LIABILITIES</b>	<b>991,525</b>
<b>NET ASSETS</b>	
Reserved for debt service	4,335
Invested in Capital Assets	1,577,061
Unrestricted	(36,525)
<b>TOTAL NET ASSETS</b>	<b>1,544,871</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 2,536,396</b>

The Notes to the Financial Statements are an integral part of this statement.



# Hamlin-Pere Marquette Water and Sewer Authority

Mason County, Michigan

## Statement of Activities

For the year ended December 31, 2007

Functions/Programs	Expenses	Governmental activities
General government	\$ 82,667	\$ (82,667)

### General Revenues

Transfers	224,076
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Total general revenues - special items and transfers	224,076
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Change in net assets	141,409
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Net assets at beginning of year	1,403,462
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Net assets at end of year	\$ 1,544,871
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The Notes to the Financial Statements are an integral part of this statement.

## FUND FINANCIAL STATEMENTS

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# Hamlin-Pere Marquette Water and Sewer Authority

Mason County, Michigan

Governmental Funds

Balance Sheet

December 31, 2007

Debt Service Fund	
<b>ASSETS</b>	
Cash and cash equivalents	\$ 4,335
Receivables	955,000
<b>TOTAL ASSETS</b>	<b>\$ 959,335</b>
<b>LIABILITIES AND FUND BALANCES</b>	
<b>LIABILITIES</b>	
Deferred revenue	\$ 955,000
<b>FUND BALANCES</b>	
Reserved for	
Debt Service	4,335
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 959,335</b>

The Notes to the Financial Statements are an integral part of this statement.

# Hamlin-Pere Marquette Water and Sewer Authority

Mason County, Michigan

## Reconciliation of Fund Balance of Governmental Funds to the Net Assets of Governmental Activities on the Statement of Net Assets

For the year ended December 31, 2007

Total fund balances - total governmental funds	\$	4,335
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Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:

Capital assets at cost	2,955,496
Accumulated depreciation	(423,435)
Net capital assets	2,532,061

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds. Balances at December 31, 2007 were:

Bonds payable	(955,000)
Accrued interest on bonds payable	(36,525)
Net assets of governmental activities	\$ 1,544,871

The Notes to the Financial Statements are an integral part of this statement.

**Hamlin-Pere Marquette Water and Sewer Authority**  
**Mason County, Michigan**  
**Governmental Funds**  
**Statement of Revenue, Expenditures, and Changes in Fund Balance**  
**For the year ended December 31, 2007**

	<u>Debt Service Fund</u>
<b><u>EXPENDITURES</u></b>	
General government	\$ 1,300
Debt Service	
Interest	56,751
Principal	165,000
Fees	1,100
<b><u>TOTAL EXPENDITURES</u></b>	<b><u>224,151</u></b>
 <b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	 <b><u>(224,151)</u></b>
 <b><u>OTHER FINANCING SOURCES (USES)</u></b>	
Transfers from other funds	<u>224,076</u>
 <b>NET CHANGE IN FUND BALANCES</b>	 <b>(75)</b>
 <b><u>FUND BALANCES, BEGINNING OF YEAR</u></b>	 <b><u>4,410</u></b>
 <b><u>FUND BALANCES, END OF YEAR</u></b>	 <b><u>\$ 4,335</u></b>

The Notes to the Financial Statements are an integral part of this statement.

# **Hamlin-Pere Marquette Water and Sewer Authority**

**Mason County, Michigan**

## **Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities**

**For the year ended December 31, 2007**

<b>Net change in fund balances - total governmental funds</b>		<b>\$</b>	<b>(75)</b>
<b>Amounts reported for governmental activities in the statement of activities are different because:</b>			
Repayment of bond principal is an expenditure in governmental funds, but the repayment reduces long-term liabilities in the statement of net assets			165,000
<b>Some expense reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds:</b>			
Depreciation			(29,555)
Accrued interest			6,039
<b>Change in net assets of government activities</b>	<b>\$</b>	<b>141,409</b>	

The Notes to the Financial Statements are an integral part of this statement.

# Hamlin-Pere Marquette Water and Sewer Authority

Mason County, Michigan

Debt Service Fund

## Statement of Revenue, Expenditures and Changes in Fund Balances - Budget and Actual

For the year ended December 31, 2007 with comparative actual amounts for 2006

	Original and final budget	Actual	Variance with final budget	2006
<b>REVENUE</b>				
Other revenue	\$ -	\$ -	\$ -	\$ 200
<b>EXPENDITURES</b>				
General government	2,000	1,300	700	1,800
Debt Service				
Interest	56,753	56,751	2	65,140
Principal	165,000	165,000	-	155,000
Fees	1,200	1,100	100	750
<b>TOTAL EXPENDITURES</b>	<b>224,953</b>	<b>224,151</b>	<b>802</b>	<b>222,690</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>(224,953)</b>	<b>(224,151)</b>	<b>802</b>	<b>(222,490)</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers from other funds	223,153	224,076	(923)	223,040
<b>NET CHANGE IN FUND BALANCES</b>	<b>(1,800)</b>	<b>(75)</b>	<b>(121)</b>	<b>550</b>
<b>Fund balance at beginning of year</b>	<b>4,410</b>	<b>4,410</b>	<b>-</b>	<b>3,860</b>
<b>Fund balance at end of year</b>	<b>\$ 2,610</b>	<b>\$ 4,335</b>	<b>\$ (121)</b>	<b>\$ 4,410</b>

The Notes to the Financial Statements are an integral part of this statement.

# **Hamlin-Pere Marquette Water and Sewer Authority**

**Mason County, Michigan**

## **Notes to Financial Statements**

**For the year ended December 31, 2007**

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### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of Hamlin-Pere Marquette Water and Sewer Authority conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by Hamlin-Pere Marquette Water and Sewer Authority:

#### **A. Reporting Entity**

The Hamlin-Pere Marquette Water and Sewer Authority was incorporated on March 21, 1990, under the provisions of Act 233, P.A. 1955 of the State of Michigan, as amended, by the Charter Township of Pere Marquette and the Township of Hamlin for the purpose of operating a water supply and a sewage disposal system.

The Authority is a component unit of the Charter Township of Pere Marquette and is presented as a discretely presented component unit in the Township's financial statements. The Authority and the Township have a capital lease arrangement and a contractual agreement related to the water supply and sewage disposal system which are described in Notes 5 and 6.

#### **B. Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information of the Authority. The Authority has no fiduciary activities or component units.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for the governmental fund. The major individual governmental fund is reported as a separate column in the fund financial statements.



# **Hamlin-Pere Marquette Water and Sewer Authority**

**Mason County, Michigan**

## **Notes to Financial Statements**

**For the year ended December 31, 2007**

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### **C. Measurement Focus, Basis of Accounting and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Authority considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

The Authority reports the following major governmental fund:

The Debt Service Fund accounts for transfers from Pere Marquette Charter Township used to pay principal and interest on long-term debt of the Authority.

Private-sector standards of accounting issued prior to December 1, 1989, are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The Authority has elected to also follow private-sector standards issued after November 30, 1989 for its business-type activities.

# **Hamlin-Pere Marquette Water and Sewer Authority**

**Mason County, Michigan**

## **Notes to Financial Statements**

**For the year ended December 31, 2007**

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### **D. Assets, Liabilities, and Net Assets or Equity**

**Bank Deposits and Investments--**Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

**Capital Assets--**Capital assets, which include property, plant and equipment, are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the Authority as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Property, plant and equipment is depreciated using the straight-line method over the following useful lives:

Water and Sewer Lines	100 years
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**Long-Term Obligations--**In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

**Fund Equity--**In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

**Comparative Data/Reclassifications--**Comparative total data for the prior year have been presented in the fund financial statements in order to provide an understanding of the changes in the financial position and operations.

# **Hamlin-Pere Marquette Water and Sewer Authority**

**Mason County, Michigan**

## **Notes to Financial Statements**

**For the year ended December 31, 2007**

### **NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**Budgetary Information--Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. All annual appropriations lapse at fiscal year end.**

**The Authority normally follows these procedures in establishing the budgetary data reflected in the financial statements:**

**Prior to the beginning of the year, the Authority Chairperson submits to the board, a proposed operating budget for the fiscal year commencing on January 1. The operating budget includes proposed expenditures and the means of financing them.**

**On or before December 31, the budget is adopted by resolution.**

**The transfer of budgeted amounts between departments within any fund or any revisions that alter the total expenditures of any fund must be approved by the Authority board.**

**Budgeted amounts are presented as originally adopted, or as amended by the Authority board before December 31. Individual amendments were not material in relation to the original appropriations which were amended.**

**Budgets as presented for the debt service fund is prepared on the modified accrual basis of accounting on the activity level. Encumbrances are not recorded at year end. Budget appropriations lapse at the end of each fiscal year.**

**Budgetary amounts reported herein are as originally adopted, or as amended by the Authority Board throughout the operating year.**

**The Authority adopts budgets for the Debt Service Fund.**

**Budgets shown in the financial statements are adopted on a basis consistent with generally accepted accounting principles, and consist only of those amounts contained in the formal budget approved as amended by the Authority Board.**

**The legal level of control is at the fund expenditure totals for the Debt Service fund.**

**The budget document presents information by fund, function, department and line items. The legal level of budgetary control adopted by the governing body is the fund level.**

**Amounts encumbered for purchase orders, contracts, etc., are not tracked during the year. Budget appropriations are considered to be spent once the goods are delivered or the services rendered.**

# Hamlin-Pere Marquette Water and Sewer Authority

Mason County, Michigan

## Notes to Financial Statements

For the year ended December 31, 2007

### **NOTE 3 - DEPOSITS AND INVESTMENTS**

Michigan Compiled Laws, Section 129.91, authorizes Hamlin-Pere Marquette Water and Sewer Authority to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. The Authority is allowed to invest in bonds, securities and other direct obligations of the United States or any agency or instrumentality of the United States; United States government or federal agency obligations; repurchase agreements; bankers' acceptance of United States banks; commercial paper rated within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

Hamlin-Pere Marquette Water and Sewer Authority Board has designated one bank for the deposit of Authority funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in bonds and securities of the United States government and bank accounts and CDs, but not the remainder of State statutory authority as listed above.

Hamlin-Pere Marquette Water and Sewer Authority's deposits and investment policy are in accordance with statutory authority.

At year-end, the Authority's deposits and investments were reported in the basic financial statements in the following categories:

		Governmental activities
Cash and cash equivalents	\$	4,335

The bank balance of the Authority deposits is \$4,335, of which \$4,335 is covered by federal depository insurance and \$0 is uninsured.

### **NOTE 4 - RECEIVABLES**

Governmental funds report deferred revenue in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of deferred revenue are as follows:

		Unavailable	Unearned
Lease receivable	\$	955,000	\$ 955,000

# Hamlin-Pere Marquette Water and Sewer Authority

Mason County, Michigan

## Notes to Financial Statements

For the year ended December 31, 2007

### **NOTE 5 - CAPITAL ASSETS**

Capital asset activity of the Authority for the current year was as follows:

Governmental Activities	Balance January 1, 2007	Additions	Disposals	Balance December 31, 2007
Capital assets being depreciated:				
Sewer and water mains	\$ 2,955,496	\$	\$	\$ 2,955,496
Accumulated depreciation:				
Sewer and water mains	393,880	29,555		423,435
Net capital assets	\$ 2,561,616	\$ (29,555)	\$	\$ 2,532,061

Depreciation expense was charged to programs of the Authority as follows:

Governmental activities:

General Government	\$ 29,555
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### **NOTE 6 - LEASES**

The Authority has a capital lease arrangement with the Charter Township of Pere Marquette which provides lease payments by the Township equal to the debt service on outstanding bonds. Accordingly, the Authority has a lease receivable and deferred revenue in the amount of \$955,000 recorded in the debt service fund which is equal to the total outstanding debt.

### **NOTE 7 - CONTRACTUAL AGREEMENT**

The Authority entered into a contractual agreement with the Charter Township of Pere Marquette for construction, operation, maintenance and administration of a water supply and sewage disposal system. The construction of the system has been financed by the sale of four general obligation bond issues. The Township is obligated to fund the debt service on the bond issues. Since the Authority's inception and through December 31, 2007, Hamlin Township has participated only to the extent of a legislative role.

# Hamlin-Pere Marquette Water and Sewer Authority

Mason County, Michigan

## Notes to Financial Statements

For the year ended December 31, 2007

### **NOTE 8 - LONG-TERM DEBT**

The Authority issues bonds to provide for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the Authority.

Bond obligation activity can be summarized as follows:

	Balance January 1, 2007	Additions	Reductions	Balance December 31, 2007	Due within one year
Bonds Payable	\$ 1,120,000	\$	\$ 165,000	\$ 955,000	\$ 150,000

Annual debt service requirements to maturity for the above obligations are as follows:

December 31,	Bonds Payable		Total
	Principal	Interest	
2008	\$ 150,000	\$ 48,700	\$ 198,700
2009	155,000	41,177	196,177
2010	85,000	34,959	119,959
2011	85,000	30,156	115,156
2012	90,000	25,190	115,190
2013	90,000	20,038	110,038
2014	100,000	14,550	114,550
2015	100,000	8,750	108,750
2016	100,000	2,925	102,925
Totals	\$ 955,000	\$ 226,445	\$ 1,181,445

Total interest cost incurred during the year was \$50,714.

## Long-term Debt Schedules

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# Hamlin-Pere Marquette Water and Sewer Authority

Mason County, Michigan

## Schedule of Bonded Debt

**\$980,000 System No. 3 Bonds - Hamlin/Pere Marquette Water & Sewer Authority**

December 31, 2007

Year ended December 31,	Interest Rate	Principal	Interest	Total
2008	4.50%	\$ 90,000	\$ 6,300	\$ 96,300
2009	4.50%	95,000	2,137	97,137
Totals		\$ 185,000	\$ 8,437	\$ 193,437



# Hamlin-Pere Marquette Water and Sewer Authority

Mason County, Michigan

## Schedule of Bonded Debt

**\$995,000 System No. 4 Bonds - Hamlin/Pere Marquette Water & Sewer Authority**

December 31, 2007

Year ended December 31,	Interest Rate	Principal	Interest	Total
2008	5.60%	\$ 60,000	\$ 42,400	\$ 102,400
2009	5.60%	60,000	39,040	99,040
2010	5.63%	85,000	34,959	119,959
2011	5.65%	85,000	30,156	115,156
2012	5.70%	90,000	25,190	115,190
2013	5.75%	90,000	20,038	110,038
2014	5.80%	100,000	14,550	114,550
2015	5.80%	100,000	8,750	108,750
2016	5.85%	100,000	2,925	102,925
Totals		\$ 770,000	\$ 218,008	\$ 988,008

## AUDITORS' REPORTS

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## COMMUNICATION WITH AUDIT COMMITTEE OR ITS EQUIVALENT

To the Board  
Hamlin-Pere Marquette Water and Sewer Authority  
Mason County, Michigan

We have audited the general purpose financial statements of Hamlin-Pere Marquette Water and Sewer Authority, Mason County, Michigan for the year ended December 31, 2007, and have issued our report thereon dated April 10, 2008. Professional standards require that we provide you with the following information related to our audit.

### Our Responsibility under Generally Accepted Auditing Standards

As stated in our engagement letter dated March 17, 2008, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the general purpose financial statements are free of material misstatement and are fairly presented in accordance with accounting principles generally accepted in the United States of America. Because of the concept of reasonable assurance and because we did not perform a detailed examination of all transactions, there is a risk that material errors, fraud, or other illegal acts may exist and not be detected by us.

As part of our audit, we considered the internal control of Hamlin-Pere Marquette Water and Sewer Authority. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

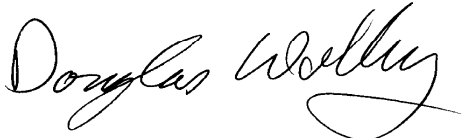
As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the Hamlin-Pere Marquette Water and Sewer Authority's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

### Significant Accounting Policies

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Hamlin-Pere Marquette Water and Sewer Authority are described in Note 1 to the general purpose financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended December 31, 2007. We noted no transactions entered into by Hamlin-Pere Marquette Water and Sewer Authority during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

We encountered no significant difficulties in dealing with management in performing our audit.

This information is intended solely for the use of the Authority Board and management of Hamlin-Pere Marquette Water and Sewer Authority and is not intended to be and should not be used by anyone other than these specified parties.



Douglas Wohlberg, CPA  
Grand Rapids, Michigan  
April 10, 2008

## **MANAGEMENT COMMENTS LETTER**

To the Board  
Hamlin-Pere Marquette Water and Sewer Authority  
Mason County, Michigan

In planning and performing our audit of the financial statements of Hamlin-Pere Marquette Water and Sewer Authority as of and for the year ended December 31, 2007, in accordance with auditing standards generally accepted in the United States of America, we considered Hamlin-Pere Marquette Water and Sewer Authority's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purposes of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

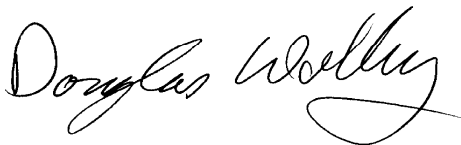
A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Authority's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Authority's financial statements that is more than inconsequential will not be prevented or detected by the Authority's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Authority's internal control.

Our consideration of internal control was for the limited purpose described in the first paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above.

This communication is intended solely for the information and use of management, the Board, others within the organization, and the Michigan Department of Treasury and is not intended to be and should not be used by anyone other than these specified parties.

This report is intended solely for the information and use of the Board and the Michigan Department of Treasury and is not to be used by anyone other than these specific parties.



Douglas Wohlberg, CPA  
Grand Rapids, Michigan  
April 10, 2008